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Cotton Crop Update 2015

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Report Highlights:

After last season bumper cotton plantings, area planted to cotton in MY 2015/16 has gone down. High temperatures prevailing throughout the crop cycle increased irrigation needs and reduced output expectations. Additionally, pink bollworm attack and rains at the end of the harvest season contributed to drive yields further down.

Disclaimer: This report presents the situation for cotton in Spain. This report contains the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

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Abbreviations used in this report

EU European Union
FAS Foreign Agricultural Service
GTA Global Trade Atlas
MS EU Member State(s)
MT Metric ton (1,000 kg)
Bales (1 Bale = 226.8 kg)
MY Marketing year (Aug/Jul)
MAGRAMA: Ministry of Agriculture, Food and Environment
ESYRCE Annual Survey on Crop Area and Yields
PS&D Production, Supply and Demand
Ha Hectares (1 Ha = 2.471 acres)
N/A Not Available
GE Genetically engineered
Harmonized Codes for Lint Cotton (HS code): 5201

Executive Summary

Spain is the EU's second largest cotton growing Member State after Greece. Cotton production in Spain is concentrated in Andalucía, Spain's southernmost peninsular region. Cotton is a critical crop from the environmental, social and economic point of view in the areas where it is grown, as alternatives are limited. After last season bumper cotton plantings, area planted to cotton in MY 2015/16 has gone down. High temperatures prevailing throughout the crop cycle along with worm attacks have resulted in lower yields.

Area and Production

Area planted to cotton varies depending on price expectations and water availability, competition by other crops and subsidies available. Practically all cotton is grown under irrigation in the Guadalquivir basin (Andalucía) and in Murcia to a lesser extent.

In **MY2014/15** subsidies played a key role in planting decisions. The MY2014/15 Cotton Quality Premium added to the Basic Payment calculation for 2015 under the reformed CAP for the period 2015-2020. As a consequence in MY2014/15, farmers maximized area planted to cotton and boosted yields¹, in order to secure future payments and incorporate the full budget of 12.271 million of Euros to the Basic Payment. To be granted with the Cotton Quality Premium, which would ultimately become part of the Basic Payment, certain minimum quality standards had to be met. Consequently; cotton farmers were especially careful with this crop development in MY2014/15 which resulted in higher yields.

While area planted to cotton in **MY 2015/16** in Spain was initially anticipated to return to average levels, as securing CAP payments represented no longer an incentive and prices received by farmers were below expectations (**Table 1**) official statistical information show that this decline has only been marginal (**Table 2**).

Table 1. Spain's Farm Gate Raw Cotton Price

MY	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Price (Euros/100 kg)	29.90	22.62	46.03	56.35	38.36	44.44	31.03

Source: MAGRAMA and FAS Madrid estimates.

The above average temperatures prevailing throughout the whole cotton crop cycle combined with the absence of rain during cotton crop establishment resulted in earlier and higher irrigation needs, which posed an additional challenge in pests' management in order to preserve cotton buds quality. Significant

¹ In MY2014/15 yields registered the highest levels since 2006 (**Table 2**).

pest (pink bollworm) incidence in the later stages of the crop development has been reported in a number of plots.

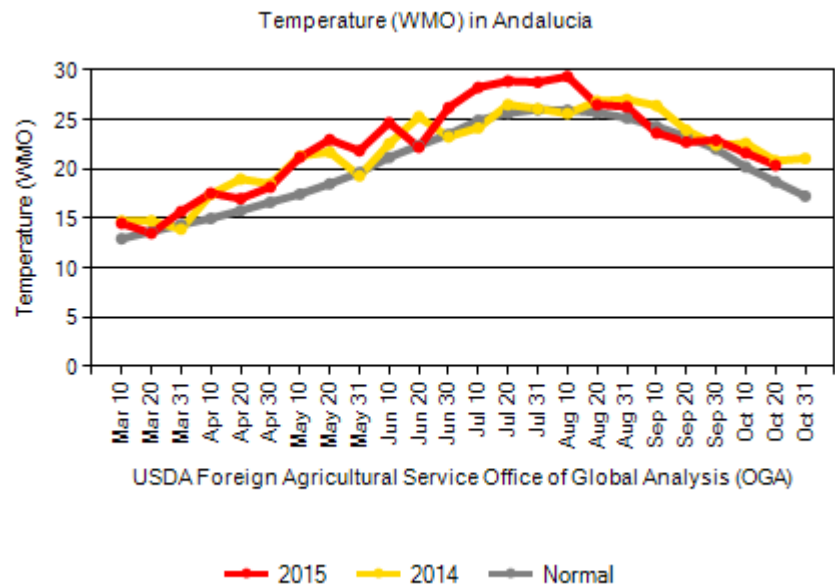
As GE cotton varieties are not allowed for planting in the EU, farmers rely exclusively on the use of pesticides to reduce pest incidence. More information in regards to biotechnology acceptance in the EU and Spain can be found in [FR9174](#) and [SP1510](#) respectively.

While cotton can cope very well with high temperatures, the above average temperatures prevailing in Andalucía (See **Graph 1**) speed up cotton plants’ development. The large majority of cotton fields have been harvested about two weeks before normal schedule. However, precipitation is delaying harvest in some other plots.

The Ministry of Agriculture, Food and Environment granted cotton farmers with an special exemption and during the period between September 1, 2015 and September 20, 2015 they are allowed to spray their fields with *Thidiazuron*, for cotton defoliation in order to carry out earlier harvesting operation.

Final yields are anticipated to decline as subsidy incorporation is no longer an incentive. Additionally, climate conditions (high temperatures) have resulted in an ahead of schedule harvest, which began in early September and will likely be finished by the end of October. Additionally, pink bollworm attack and rains at the end of the harvest season contributed to drive yields further down.

Graph 1. Average temperature Andalucía



Source: IPAD/Foreign Agricultural Service/USDA

Table 2. Cotton Area, Production and Yields

MY	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16e
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Area (1,000 Ha)	58.6	63.2	67.1	69.8	64.0	75.0	74.0
Production (1,000 MT)	79.2	115.1	182.8	191.7	145.6	226.2	160
Yields (Kg/Ha)	1,352	1,821	2,724	2,746	2,271	3,015	2,162

Source: MAGRAMA and FAS Madrid estimates.

Consumption

Spain has eight ginning plants, of which only seven are currently operational. All Spain based ginning plants are located in Andalucía.

According to Spanish industry, raw cotton processing rates are as follows:

- Cotton Lint yield = 32-33% (national weighted average) of total Seed Cotton delivered to ginneries
- Cottonseed yield = 54% (national weighted average) of total Seed Cotton delivered to above ginneries
- The remaining 13-14% is moisture and waste².

Higher Value Products – Textile Products

The Association for Industrial Textile Cotton Processing reports an increase in fabric production throughout 2014, while yarn production has declined (**Table 3**). According to them, despite an increase of domestic demand in 2014, exports to other EU members in 2015, will be critical for the cotton industry evolution.

Additional textile sector information for previous years can be found in the following links: [2012](#) and [2013](#).

Table 3. Cotton Yarn and Fabric Production (MT)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 p
Yarn	110,768	79,527	72,507	65,949	44,013	38,030	40,198	39,275	35,215	36,659	34,473
Fabrics	112,466	96,501	80,608	47,766	30,815	27,888	29,059	29,666	28,620	27,790	29,735

Source: AITPA (Association for Industrial Textile Cotton Processing)

p: provisional data

² Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.

Trade

Spain is a net exporter of cotton lint, with exports largely exceeding imports. Other EU Member States are their main destination, followed by Morocco and Southeast Asian Countries (**Table 4**). Spain cotton lint imports originate mainly in Pakistan and Turkey (**Table 5**).

Table 4. Spain Exports of Cotton Lint(MT)

Country of Destination	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15
EU-28	13,228	19,299	17,673	12,246	28,493
Bangladesh	970	3,174	5,254	3,196	17,012
Morocco	6,747	4,432	6,486	7,006	9,103
Indonesia	3,124	1,781	2,820	6,017	6,873
Vietnam	942	1,105	1,094	3,194	3,400
Thailand	1,174	205	1,681	2,939	2,589
Malaysia	-	1,064	2,440	708	2,540
Turkey	1,159	452	620	1,330	2,332
Algeria	-	-	888	-	2,048
China	3,131	23,385	14,667	4,593	1,973
Other	4,301	1,776	3,771	2,881	2,624
TOTAL EXPORTS	34,776	56,673	57,394	44,110	78,987

Source: GTA.

Table 5. Spain Imports of Cotton Lint (MT)

Country of Origin	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15
EU-28	257	1024	478	83	76
Pakistan	726	900	599	613	575
Argentina	1724	422	0	0	0
Turkey	758	381	728	160	390
Burkina Faso	91	266	47	75	686
Korea South	0	238	61	0	0
Cote d Ivoire	222	232	299	0	0
Cameroon	0	200	0	659	120
Mali	0	100	0	25	0
Other	1,806	119	1,143	1,351	1,998
TOTAL IMPORTS	5,584	3,882	3,355	2,966	3,845

Source: GTA.

Policy

At the moment the **Cotton Specific Support**, as established by Spain's EC Accession Treaty, serves as the only policy incentive for cotton production (**Table 6**). Since MY2015/16 the **Cotton Quality Premium** is no longer available nor is the **Integrated Farming Payments** either since MY2013/14.

In 2015, the **Single Payment Scheme** has been replaced by the so-called **Basic Payment**, which is not crop specific. Spain has opted for a region-based system. A total of 316 counties in Spain were considered. The Basic Payment calculation for these counties takes into account four different land uses: irrigated land, non-irrigated land permanent crops and pasture land. Other factors such as the amount of support previously received have been considered. As a result, a total of 50 regions have been defined. These regions will be granted with different levels of support, which will only be determined once the 2015 applications are submitted.

Broadly speaking, the amount of the Basic Payment allocated to each region defined will represent the support granted to the type of land use. The amount of support received will be calculated based on the subsidies received in 2014. In the irrigated land in the Guadalquivir basin, where most of the cotton is grown, industry sources estimate that Basic Payment would add up to about 450 Euros per hectare. Also, a large part of the support received by farmers will be linked to greening measures compliance.

Cotton Specific Support

In 2006, area planted to cotton in Spain suffered a significant decline in as a result of the implementation of the EU cotton reform, reaching a record low in MY2008/09.

In MY2009/10 the Regulation (EC) 637/2008 introduced some amendments to the cotton regime: national guaranteed area was reduced from 70,000 ha to 48,000 ha with a total budget of 67.2 million Euros.

Since MY2009/10 the cotton aid increased in value per hectare, but less acreage can benefit from this payment. Specific conditions to be eligible to receive this coupled support are defined on a yearly basis in Spain's National Gazette.

[Ministerial Order AAA/188/2015](#) establishes the requirements to be granted with the cotton specific premium in MY2015/16, which consists on:

- Only agricultural plots that were not planted to cotton³ in the previous season, but that at least were planted to cotton once in the marketing years 2000/01, 2001/02 or 2002/13, can be subject of this specific support.
- Only cotton varieties contained in the EU Plant Varieties Common Catalogue will be receiving the cotton specific support premium.
- Seeding density should be over 100,000 plants per hectare in irrigated plots and over 90,000 plants per hectare in non-irrigated plots. Seeding density can be just 75,000 plants per hectare in case of interspecific hybrid varieties.
- Crop should develop under normal conditions and be harvested. Production obtained must meet minimum quality requirements.

Currently, the budget for the Cotton Specific Payment is fully used even though correction factors are needed to adjust the reference area payment to the actual subsidy-eligible area.

Since MY2014/15 the reference amount for the area payment has been revised down from 1,400 Euros/Ha to 1,267.53 Euros/Ha. This, together with the increase of area planted to cotton explains the reduction of the Cotton Specific Payment in MY2014/15.

Table 6. Subsidies

Support Scheme	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16f
Specific payment adjusted (€/ha)	1,190	1,105	1,024	983	1,060	825	935
Article 69 payment (€/ha)	480.47	289.81	224.75	-	-	-	-
Article 68 payment (Euros/MT)	-	-	-	77.68	95.12	57	-
Basic Payment	-	-	-	-	-	-	450*
Integrated farming aid (€/ha):	350	350	350	350			
Under 40 ha.	210	210	210	210	-	-	-
Between 40 and 80 ha.	105	105	105	105			
More than 80 ha.							
Basic Agro-environmental Support 2015-2020 (€/ha)	-	-	-	-	-	-	290.27 (433.44)

³ *Plots below 10 Hectares exempted from this requirement.*

(with additional Commitment)							
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Source: FEAGA and FAS Madrid estimates.

**Industry estimate*

The regional government of Andalucía has defined an Agro environmental measure for cotton growers. Since MY2015/16 to be granted with the Basic Aid (290.27 €/ha), the requirements are as follows:

- Integrated farming practices must be carried out and accredited.
- Land under eligible crops⁴ must be at least 0.5 Ha
- Farmers must attend to two courses mandatory training on agro-environmental commitments within the 4 years period.
- Crop residue should be shredded and uniformly distributed
- Agro-environmental commitments compliance must be accredited.
- A legume crop must be grown at least once within the 5 years period of commitment as a second crop to cotton. The legume crop should be carried out between Fall and up to at least February 28 of the following year, once the legume crop has reached milky stage.
- Additionally, farmers may volunteer to grow and bury a crucifer crop at least once within the 5 years period of commitment as a second crop to cotton. The legume crop should be carried out between Fall and up to at least February 28 of the following year. Those farmers can receive a total amount of 433.44 €/ha as Agro-environmental Support.

⁴ *Eligible crops include cotton and sugar beets.*

Production, Supply and Demand Data Statistics

Table 7. Cotton Lint Production (Hectares, Bales)

Cotton Market Begin Year Spain	2013/2014		2014/2015		2015/2016	
	Aug 2013		Aug 2014		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	64	64	74	75	70	74
Beginning Stocks	45	57	44	35	45	9
Production	216	220	331	340	275	238
Imports	14	13	15	18	15	13
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	275	290	390	392	335	260
Exports	205	194	320	344	260	198
Use	26	62	25	40	25	26
Loss	0	0	0	0	0	0
Total Dom. Cons.	26	62	25	40	25	26
Ending Stocks	44	35	45	9	50	36
Total Distribution	275	291	390	392	335	260

(1000 HA) ,1000 480 lb. Bales

Source: FAS Madrid estimates.

Other Related Reports

Report Title	Date Released
Biotechnology and other New Production Technologies - Spain	7/13/2015
Warm Spring Drives Down Spanish Winter Grains Harvest	7/1/2015
Spain - Cotton and Products Annual 2015	3/25/2015